research bulletin 23

City Capital Expenditures: A Review of Past Trends

STEPHEN G. McLAUGHLIN, COMMISSIONER
CITY OF TORONTO PLANNING AND DEVELOPMENT DEPARTMENT RESEARCH AND INFORMATION SECTION NOVEMBER 1984

Figures 1 and 2 and Tables 1-4 provide a historical overview of capital expenditures by the Corporation, most of its boards and Commissions.

End of Depression and War Spurs Massive Capital Works

Larger capital expenditures than in any previous period in the City's history took place in the early 1950s because of the need to clear a backlog of community needs unmet during the Depression and World War II, and the construction of the Yonge Street subway, permitted by the improved post-war economy (Figure 2).

This bulle[t] highlights the trends and patterns in the City of Toronto's capital expenditu[re]s [fr]om 1943 to 1982. The trends are more fully documented in the Working Paper, "Toronto -Historical Trends and Patterns in Capital Expenditures".

This review was prompted by a growing recognition of the strategic value of a more co-ordinated approach to the City's capital expenditure planning at the corporate level. This is particularly important in the present climate of high-cost financing and in view of the need for economic restraint.

To plan properly one must first review the past, hence the Working Paper, copies of which are available from the Information Resource Centre, Main Floor, City Hall, 100 Queen Street West, Toronto, Ontario. M5H 2N2; 416/947-7341.

FIGURE 1
TOTAL CITY CAPITAL EXPENDITURES IN CONSTANT DOLLARS (1981 = 100)

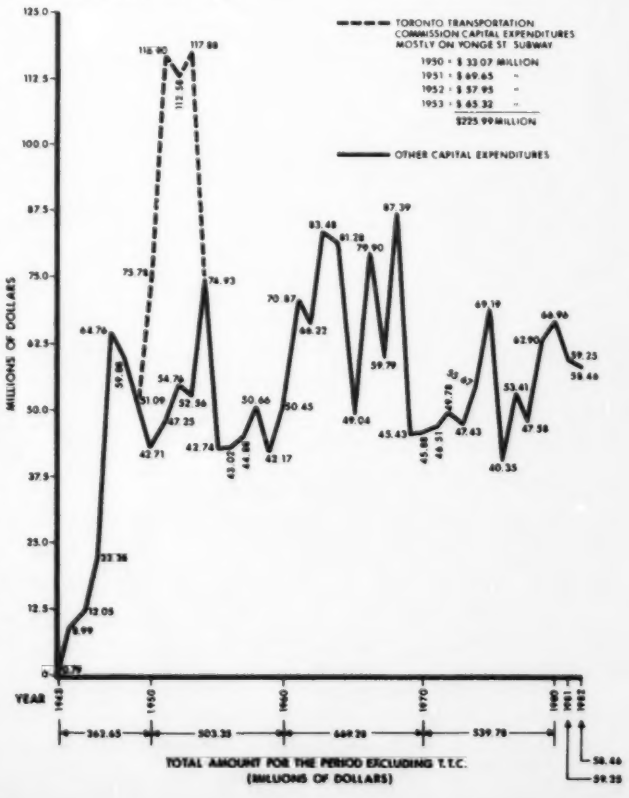
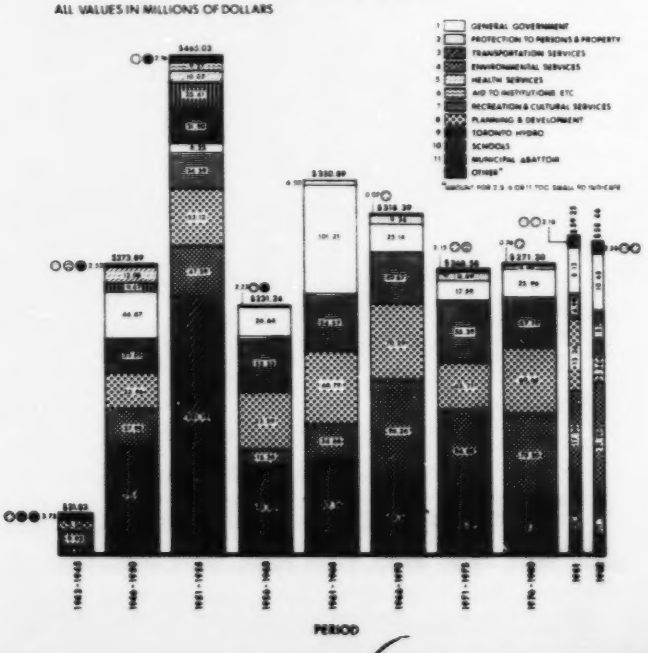


FIGURE 2
CITY OF TORONTO CAPITAL EXPENDITURES BY GROUP OF SERVICES (IN CONSTANT DOLLARS - 1981 = 100) 1943 TO 1982

ALL VALUES IN MILLIONS OF DOLLARS



The Sixties: 'The Development Decade'

The 1961-70 period in Toronto can be termed the 'Development Decade'. During this period the City's capital expenditures grew by more than 50% over the previous decade, if subway construction costs assumed by Metropolitan Corporation on its formation in 1953 are excluded (Table 3).

The Seventies: The Slow-Down Begins

Coupled with a general slowing down of the economy and completion of major projects started earlier, the overall capital expenditures in the 1971-80 period declined by about 19% over the previous decade, to a level slightly above that of the 1950s (Table 3). The decline was particularly evident in 1969 and the early '70s. In the six years from 1977 to 1982, however, total expenditures began to rise at an average rate of about 7% annually over the previous six-year period (Tables 1 and 2).

All capital expenditure amounts in this bulletin are expressed in constant dollars (1981 = 100).

TABLE 1

TOTAL CITY CAPITAL EXPENDITURES, 1943-1982
IN CONSTANT DOLLARS, 1981=100 (IN MILLION DOLLARS)

Year	Million $	Year	Million $
1943	.79	1961	70.87
1944	8.99	1962	66.22
1945	12.05	1963	83.48
1946	22.38	1964	81.28
1947	64.76	1965	49.04
1948	59.88	1966	79.90
1949	51.09	1967	59.79
1950	75.78	1968	87.39
		1969	45.43
	295.72*	1970	45.88
			669.28
1951	116.90	1971	46.61
1952	112.58	1972	49.78
1953	117.88	1973	47.43
1954	74.93	1974	55.67
1955	42.74	1975	69.19
1956	43.08	1976	40.35
1957	44.88	1977	53.41
1958	50.66	1978	47.58
1959	42.17	1979	62.90
1960	50.45	1980	66.96
	696.27**		539.78
		1981	59.25
		1982	58.46

* Including $33.07 million in 1950 by the City of Toronto Transportation Commission

** Including $192.92 million in 1951, 1952 and 1953 by the City of Toronto Transportation Commission

TABLE 2

CAPITAL EXPENDITURES BY GROUP OF SERVICES IN CONSTANT DOLLARS, 1981=100* (IN MILLION DOLLARS)

Group of Services	1943-1945	1946-1950	1951-1955	1956-1960	1961-1965	1966-1970	1971-1975	1976-1980	1981	1982	Total 1943-1982
1. General Government	--	44.47	9.23	26.64	101.21	25.14	17.59	25.96	8.13	10.65	269.02
2. Protection to persons and property	--	0.75	2.72	1.91	4.50	9.34	8.49	4.48	2.04	2.27	36.50
3. Transportation Services	2.84	99.44	241.19	81.09	87.16	69.64	53.37	52.69	13.20	11.15	711.77
4. Environmental Services	9.92	37.94	47.59	15.36	34.66	94.24	84.88	79.50	17.39	21.05	442.53
5. Health Services	3.31	13.08	10.07	--	--	0.07	0.18	0.74	0.14	0.11	27.70
6. Aid to Institutions	--	0.50	9.37	--	--	--	2.97	--	--	--	12.84
7. Recreation and Cultural Services	0.07	33.01	34.39	52.33	54.57	49.67	55.39	47.19	4.98	8.57	340.18
8. Planning and Development	5.34	33.96	53.12	53.59	68.79	70.29	45.71	60.64	13.36	4.66	409.46
9. Toronto Hydro	--	-	31.90	--	--	--	--	--	--	--	31.90
10. Schools	--	9.47	25.41	--	--	--	--	--	--	--	34.88
11. Municipal Abattoir	0.35	1.27	0.04	0.32	--	--	--	--	--	--	1.98
Total	21.83	273.89	465.03	231.24	350.89	318.39	268.58	271.20	59.25	58.46	2318.76
Annual Average	7.27	54.78	93.00	46.25	70.18	63.68	53.72	54.24	59.25	58.46	57.97

Source: Annual Reports of the Commissioner of Finance and Treasurer, City of Toronto, 1943-1982

* Based on, Historic Non-Residential Construction Price Deflators, 1971 = 100, Implicit price indexes, Statistics Canada Catalogue 62 - 007, Construction Price Statistics, December 1983 (Table 16). The inflators/deflators based on the 1971 dollars were re-adjusted for the purpose of this study to 1981 constant dollars.

TABLE 3

CHANGES IN CAPITAL EXPENDITURES BY GROUP OF SERVICES AND BY PERIOD IN CONSTANT DOLLARS, 1981=100 (IN MILLION DOLLARS)

Group of Services	1951-60	1961-70	Change Amount	Change %
A. 1951-60 and 1961-70				
1. General Government	35.87	126.35	90.48	252
2. Protection to Persons and Property	4.63	13.84	9.21	199
3. Transportation Services	129.36*	156.80	27.44	21
4. Environmental Services	62.95	128.90	65.95	105
5. Health Services	10.07	0.07	(10.00)	(99)
6. Aid to Institutions**	9.37	--	(9.37)	(100)
7. Recreation and Cultural Services	86.72	104.24	17.52	20
8. Planning and Development	106.71	139.08	32.37	30
9. Toronto Hydro	31.90	--	(31.90)	(100)
10. Schools	25.41	--	(25.41)	(100)
11. Municipal Abattoir	0.36	--	(0.36)	(100)
Total ($)	503.35	669.28	+165.93	+33
Annual Average ($)	50.335	66.928	+16.593	+3.3

Group of Services	1961-70	1971-80	Change Amount	Change %
B. 1961-70 and 1971-80				
1. General Government	126.35	43.55	(82.80)	(65)
2. Protection to Persons and Property	13.84	12.97	(0.87)	(6)
3. Transportation Services	156.80	106.06	(50.74)	(32)
4. Environmental Services	128.90	164.38	35.48	27
5. Health Services	0.07	0.92	0.85	1200
6. Aid to Institutions	--	2.97	2.97	100
7. Recreation and Cultural Services	104.24	102.58	(1.66)	(2)
8. Planning and Development	139.08	106.35	(32.73)	24
9. Toronto Hydro	--	--	--	
10. Schools	--	--	--	
11. Municipal Abattoir	--	--	--	
Total ($)	669.28	539.78	(129.50)	(19)
Annual Average ($)	66.928	53.978	(12.950)	(1.9)

No capital expenditures are found in financial statements on:

1. Toronto Hydro, after 1954 (the only year reported)
2. Schools, after 1955
3. Municipal Abattoir, after 1957
4. Aid to Institutions, after 1974 (years reported 1948, 1954, 1955 & 1974)

* Excludes $192.92 million expenditures from 1951 to 1953 by Toronto Transportation Commission (mostly on the construction of Yonge Street subway).

** Aid to Institutions such as grants to University of Toronto, C.N.I.B., acquisition of Lambert Lodge (home for the aged), etc.

TABLE 4

SUMMARY OF DISTRIBUTION OF CAPITAL EXPENDITURES BY GROUP OF SERVICES IN CONSTANT DOLLARS, 1981=100 (IN MILLION DOLLARS)

Group of Services	1951-60	%	1961-70	%	1971-80	%	1981	%	1982	%
1. General government	35.87	7.1	126.35	19.0	43.55	8.0	8.13	14.5	10.65	18.0
2. Protection to persons & property	4.63	1.1	13.84	2.0	12.97	2.4	2.04	3.5	2.27	4.0
3. Transportation Services	129.36*	26.04	156.80	24.0	106.06	20.0	13.20	22.1	11.15	19.0
4. Environmental Services	62.95	12.5	128.90	19.0	164.38	30.0	17.39	29.1	21.05	36.0
5. Health Services	10.07	2.0	0.07	--	0.92	0.1	0.11		0.04	
6. Aid to Institutions**	9.37	2.0			2.97	0.5				
7. Recreation and Cultural Services	86.72	17.2	104.24	15.0	102.58	19.0	4.94	8.5	8.57	15.0
8. Planning and Development	106.71	21.2	139.08	21.0	106.35	20.0	13.36	22.3	4.66	8.0
9. Toronto Hydro	31.90	6.0								
10. Schools	25.41	5.0								
11. Municipal Abattoir	0.15									
	503.35	100.0	669.28	100.0	539.78	100.0	59.25	100.0	58.46	100.0

* Excludes $192.92 million from 1951 to 1953 by Toronto Transportation Commission (mostly on the construction of Yonge Street Subway)

** Such as building grants to hospitals, University of Toronto, C.N.I.B., acquisition of Lambert Lodge (home for the aged)

Public Works and Housing Predominate

Major capital expenditures in the 1976-82 period were, in descending order: (i), sanitary and storm sewers - 27%; (ii), housing and neighbourhood improvements (18%); (iii), roads and related works - 16%; (iv), Parks and Recreation - 10% and (v), General Government - 10%.

Figures 3-7 show how capital expenditures by various service groups and their component elements changed over the 40-year study period.

Government Grants Finance Small Percentage of Expenditures

As illustrated by Figure 8, historically the City's capital expenditures have been largely funded through its own resources including reserve funds established for sewer and road construction, parking facilities, parks, etc. and through debenture financing. Occasional loans from the Canada Mortgage and Housing Corporation and the Ontario Housing Assistance Program have also been used.

Grants and subsidies accounted for 23% of total capital costs during the 1975-82 period. Of these, the Ontario Government provided 17% and the Federal Government and Metropolitan Government each provided 3%.

No grants were received for services under the general government, protection to persons and property, or health services categories.

In the remaining categories, grants represented, on average, 28% of the total cost during this period. Of these the

FIGURE 3
CITY CAPITAL EXPENDITURES IN CONSTANT DOLLARS(1981=100)

GENERAL GOVERNMENT

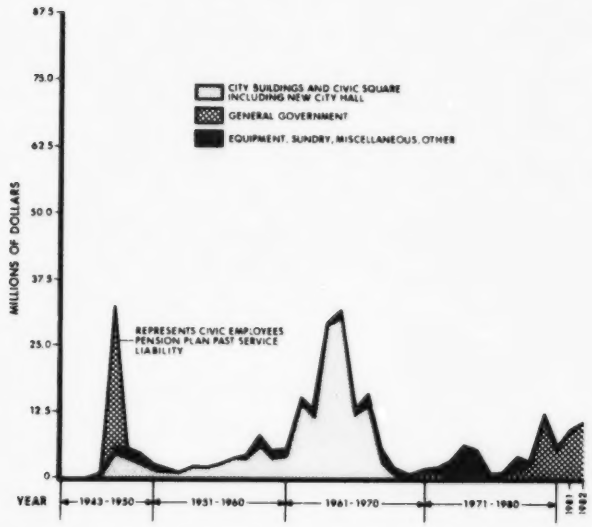


FIGURE 4
CITY CAPITAL EXPENDITURES IN CONSTANT DOLLARS(1981=100)

TRANSPORTATION SERVICES

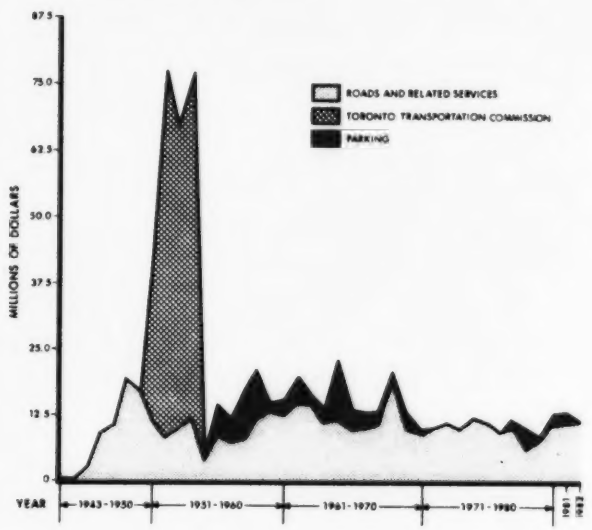


FIGURE 5
CITY CAPITAL EXPENDITURES IN CONSTANT DOLLARS(1981=100)

ENVIRONMENTAL SERVICES

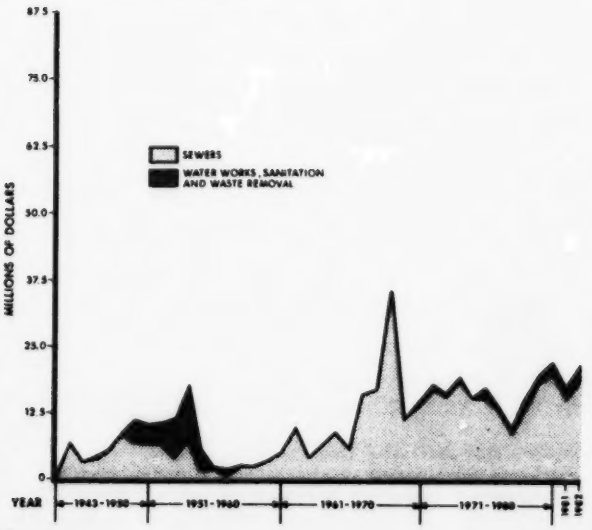
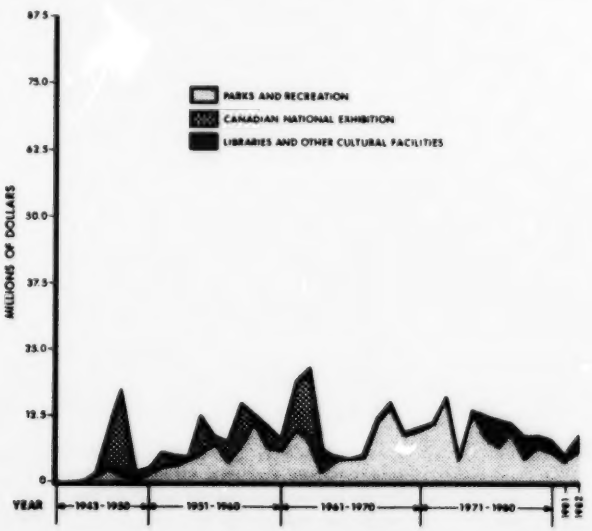


FIGURE 6
CITY CAPITAL EXPENDITURES IN CONSTANT DOLLARS(1981=100)

RECREATION AND CULTURAL SERVICES



Ontario Government provided 21%, the Federal Government 4% and Metropolitan Toronto 3%. The Ontario and Federal Government grants each represented 13% of the total cost.

The grants and subsidies for specific services, expressed as a percentage of total cost, were in descending order: (i), sewers - 45%; (ii), roadways - 26%;, (iii), residential development - 26%; (iv), cultural facilities -17%; (v), parks - 10%; (vi), commercial and industrial development - 6%; and (vii), libraries - 2%.

FIGURE 7
CITY CAPITAL EXPENDITURES IN CONSTANT DOLLARS(1981=100)

PLANNING AND DEVELOPMENT

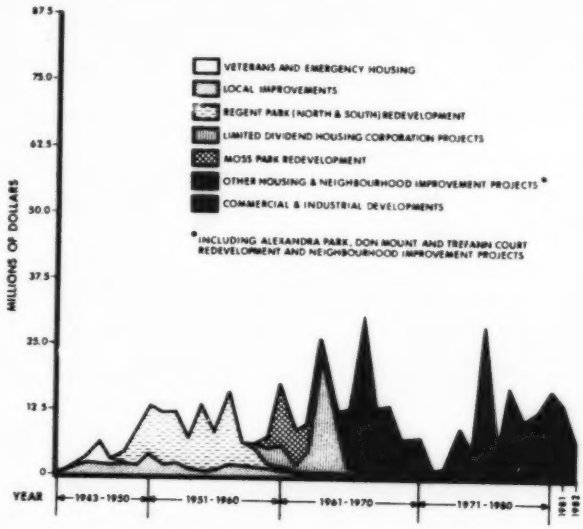
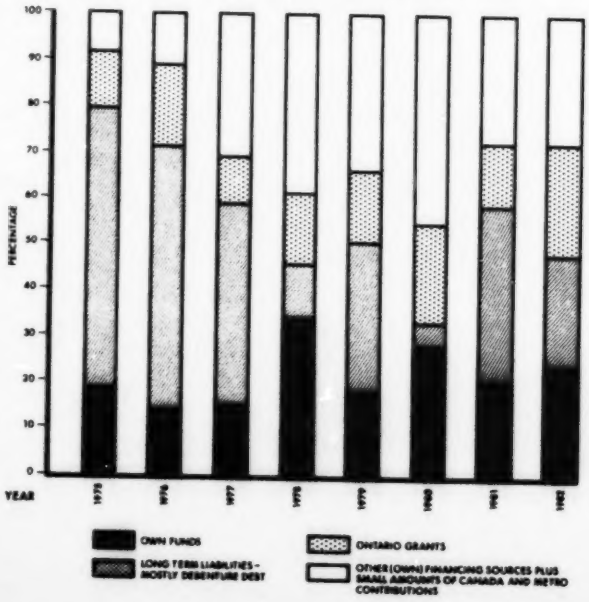


FIGURE 8
CITY OF TORONTO - PERCENTAGE DISTRIBUTION OF CAPITAL FINANCING BY SOURCE OF FUNDS, 1975 - 1982



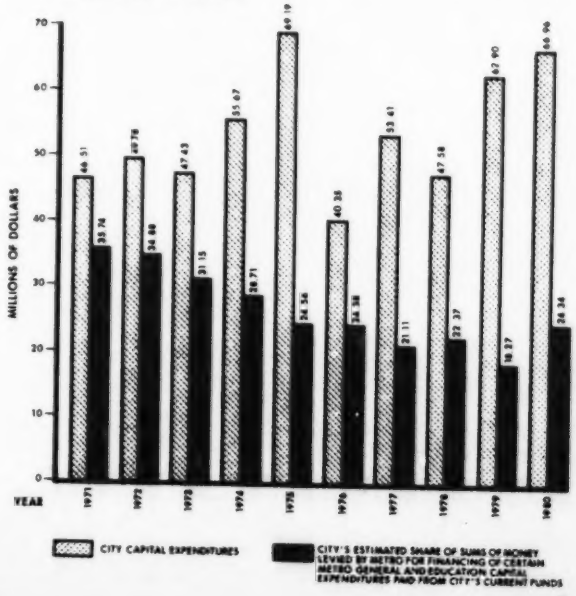
Capital Expenditures of Metro Corporation have Major Impact on the City

Because of increasing demands on the City as the economic and cultural centre of a growing region, the establishment of the Metropolitan Corporation in 1953 did not significantly offset the growth of Toronto's capital expenditures. The exception being costs associated with subway construction, the responsibility for which was assumed by Metro in 1953.

On the other hand, capital expenditures by the Metropolitan Corporation and its boards and commissions have had a major impact on the City's finances. Although the full extent is hard to measure, three key elements which significantly affect City taxpayers can be documented. They are:

1. For every dollar the City owes, its liability towards Metro's debt, i.e. its outstanding debentures, is estimated to be another three dollars (Figure 10).
2. For every dollar the City currently pays towards its own debt charges, it contributes another two dollars towards the repayment of Metro's debenture debt for general and educational purposes (Figure 11).
3. For every dollar the City spends on its own capital expenditures, it is required to contribute from its current funds another 50 cents towards certain Metropolitan general and education capital expenditures, as illustrated in figure 9. The City's contribution is in proportion to its share of Metro's taxable assessment.

FIGURE 9
CITY CAPITAL EXPENDITURES AND CITY'S SHARE OF CERTAIN METRO AND EDUCATION CAPITAL EXPENDITURES IN CONSTANT DOLLARS



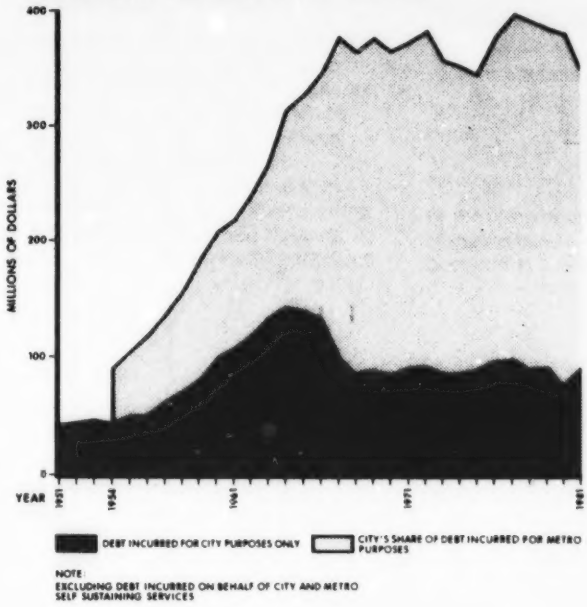
The City's total liability towards capital expenditure related charges, including items 2 and 3, is illustrated by Figure 11. In short, for every dollar the City spends on capital expenditures, it pays another three dollars and fifty cents towards Metro charges.

The City's liability for items 1, 2 and 3 is calculated proportionately to its share of the total Metro taxable assessment. The decline shown on Figure 11 partly reflects the relatively faster growth of the assessable base in other Metro municipalities.

City also Shares Metropolitan Separate School Board Capital Expenditures

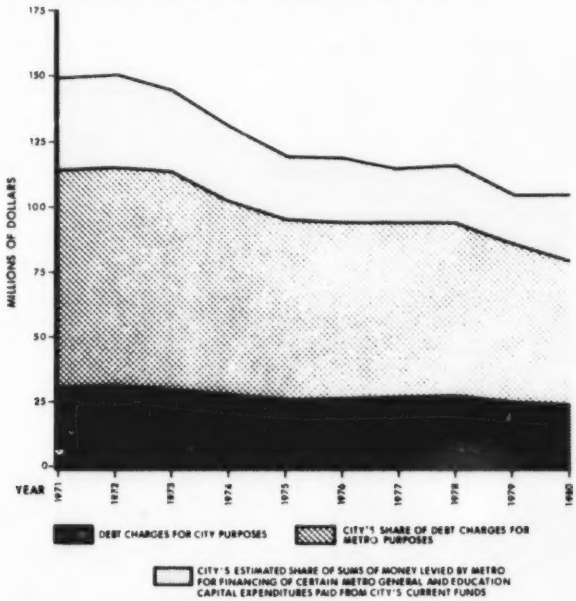
Although it is impossible to indicate precisely the extent of its contribution, the City does help cover the capital expenditures of the Metropolitan Separate School Board as part of its annual tax levy, based on its share of Metro assessment of the properties owned by taxpayers who are Separate School supporters. From 1971-80 the Separate School Board spent, on average, $1.3 million annually on capital expenditures on its facilities within the geographic boundaries of the City of Toronto (this figure excludes provincial grants). It also paid, on average, $438,000 per year towards net debt charges (in constant 1981 dollars).

FIGURE 10
CITY LIABILITY FOR OUTSTANDING NET DEBENTURE DEBT AS OF DECEMBER 31ST. OF THE YEAR



NOTE:
EXCLUDING DEBT INCURRED ON BEHALF OF CITY AND METRO SELF SUSTAINING SERVICES

FIGURE 11
CITY'S LIABILITY FOR CAPITAL EXPENDITURE RELATED CHARGES IN CONSTANT DOLLARS, 1971 - 1980



For further information, contact Anwar Jafri, Senior Research Officer,at 947-7185.

8471-454